

CITIZENS' GUIDE

to the Essex Town Budget

2014 –
2015



MESSAGE FROM THE TOWN HALL

Once again we are providing an updated version of the Citizens Guide to the Essex Town Budget. Fiscal year 2014/2015 will be the first year that the effects of the 2013 Revaluation will be felt on the Grand List and the resulting mill rate. We are mindful that the revaluation has had varying impact on taxpayer assessments. Further details on this topic are provided on page 3.

Also new to this edition is an article on page 3 that discusses the Town capital plan and the potential for bonding some proposed projects. Authorization for such bonding would occur outside the budget process but the resulting debt service (principal and interest payments) will impact future budgets.

Please participate with us to the extent you can in the budget process. We have put a lot of time into the development of a budget that provides important Town services while recognizing the impact that the costs of these services has on our taxpayers. Citizen input is essential to help us put forward a budget that will be accepted by voters. We encourage you to attend budget meetings and public hearings. The calendar on the back page and the Region 4 website provide the date/time/location for workshops and meetings.

Norman M. Needleman, First Selectman
Board of Selectmen

Kelly Sterner
Director of Finance

Keith Crehan, Chairman
Board of Finance

James D. Francis
Treasurer

ESSEX BY THE NUMBERS

Population (2011)	6,697
Registered voters	4,635
Median household income (2011)	\$84,095
Households	2,959
Miles of Town Roads	44
School Enrollment (K – 12)	933
# of town employees (excludes seasonal/temp)	23.8
# of BOE employees (EES & pro-rate R4)	131.7
2013 Revenues	\$22,441,680
2013 Expenditures	\$22,264,409
2013 Fund Balance	\$2,769,036
2013 Outstanding Debt (direct & indirect)	\$15,948,766
% of Debt Service to Expenditures (2013)	7.65%
% Fund Balance to Budget (2014)	12.2%
Per capita debt	\$2,381

UNDERSTANDING THE BUDGET

The annual budget process refers to the proposed plan of expenditures and revenues for a given fiscal year starting each July 1st and the following ending June 30th for the Town's main operating fund which is also known as the General Fund.

The town budget is broken down into two categories:

Revenues (Income)	Expenditures (Spending)
Property Taxes	Education
Investment Income	Public Safety
Licenses, Fees & Permits	Public Works
Federal Grants	Administrative & Finance
State & Local Grants	Health & Human Services
Local Government Payments	Parks & Recreation
	Debt Service

The General Fund budget process requires the involvement of many stakeholders in order to develop a responsible budget that provides essential services without imposing excessive costs.

Based on our Regional School system, our annual town budget requires the merging of 4 distinct budgets: the Selectmen's budget, Essex Elementary Board of Education budget, the Region 4 Board of Education budget and the Supervision District budget.

The Supervision District and Region 4 Board of Education budgets are allocated to each town based on their Average Daily Membership (ADM) share. Annually, the ADM share is calculated based on the town's percentage of students in the total enrollment census as of October 1st.

Once complete, the annual budget serves as a policy document that prioritizes the quality and level of services that the town will offer. Likewise, it is a financial plan that authorizes how resources are spent.

The budget process involves public input. All budget meetings, workshops and hearings are open to the public and citizens are encouraged to attend.

The Essex share of the Region 4 budget showed its first decline since fiscal year 2005/2006. This decrease in Essex percentage of students (ADM) is expected to reverse again in the next fiscal year.

2009/2010 – 41.89%	2012/2013 – 44.61%
2010/2011 – 42.54%	2013/2014 – 46.18%
2011/2012 – 43.28%	2014/2015 – 44.87%

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THE BUDGET PROCESS

The budget process, which includes board meetings, workshops and public hearings, is an effort to balance how much is needed to operate the town with how much the town can afford to spend.

This annual process, which is typically finalized in May, begins many months before and includes both a local budget process as well as a regional one.

Regional budgets are a co-operative effort between Chester, Deep River and Essex. The Supervision District budget, prepared by the Superintendent and reviewed by the Supervision District Committee, is the first budget approved in the overall budget process. The costs are allocated based on ADM and incorporated into the various board of education budgets. Meanwhile, the Region 4 Budget Committee, which includes representatives from the three towns, holds a number of budget workshops to develop the budget for the regional middle school and high school. Once a final version is approved, this budget is voted on at referendum in all three towns. Once again, the approved budget is allocated on an ADM share basis.

The local budgets reflect expenditures to be borne exclusively by the Town of Essex and include the Selectmen's budget and the Elementary School budget. The Selectmen's budget begins with the First Selectman, working with the Director of Finance, receiving budget requests from the various departments, boards and commissions, and external agencies. The requests are reviewed and compiled, and submitted to the Board of Selectmen (BOS) for budget workshops. At the same time, the Board of Education (BOE) works with the Superintendent and administrative staff to develop a proposed budget for the Essex Elementary school.

The finalized Board of Selectmen and the Elementary School Board of Education budgets are presented to the Board of Finance (BOF) at budget workshops. The Board of Finance discusses and deliberates on the proposed budget and also holds a public hearing to gather citizen input. After considering all input, the Board of Finance recommends its proposed budget to the Town Meeting. The Board of Selectmen will decide whether to present the budget for vote at the Annual Town Meeting or send it to referendum.

Upon adoption of the budget, the Board of Finance holds a special meeting to set the mill rate.

Preparing the budget January - March

- Town Departments submit budget requests to First Selectman
- BOS holds budget workshops
- Supervision District develops and approves budget
- BOE deliberates and approves proposed budget



Reviewing the budget March - April

- BOS and BOE present budgets to BOF at budget workshops
- BOF deliberates and holds a public hearing to gather citizen input
- BOF approves proposed budget and submits it to a Town Meeting

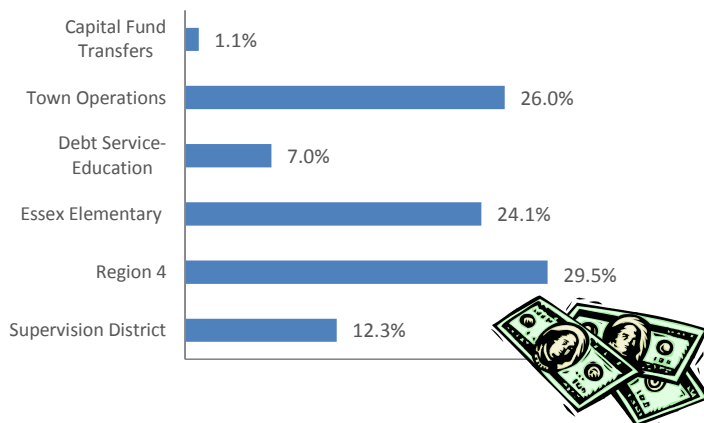


Adopting the budget April - May

- Taxpayers from all three towns vote on Region 4 budget at referendum
- Town Meeting held to vote on proposed budget or send to referendum
- BOF sets mill rate

2014 APPROVED BUDGET

WHERE YOUR TAX DOLLARS ARE SPENT



THE MILL RATE: Calculating your taxes

One "mill" produces one dollar for each \$1,000 of property assessment. The assessment is 70% of the property's current market value as of the last revaluation date. The current Mill Rate for Essex is 18.99. Therefore, a property with an assessed value of \$250,000 would generate $\$250,000 \times 18.99 = \$4,748$ in tax.

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CAPITAL PLAN

The Town of Essex utilizes several methods for financing capital items including sinking funds, contingency, capital leases and appropriations from the unassigned fund balance. The scope and cost of some capital assets/capital projects necessitate the issuance of debt, typically in the form of General Obligation Bonds. The most recent such project was the 2007 improvements and addition to the Essex Elementary School.

Recently, the Town established a Building Committee to examine our near term capital needs. These needs will be identified by function:

- Education – in particular elementary school roof
- Town Hall/General Government
- Infrastructure/Public Works – including bridges

Once complete, the request(s) for authorization to fund the projects through long term debt will be presented at public hearing and will require Town Meeting or referendum approval. Minutes for the Building Committee can be found on the Town website www.essexct.gov under the Finance Department.



THE TOWN'S 'HOUSEHOLD' BUDGET

Your Household	→	The Town
Income	→	Revenue
Expense, Spending	→	Expenditures
Taxes	→	Mandates, required services
Savings account	→	Fund balance, sinking funds
Utilities, food, gas	→	Utilities, gas, salaries, benefits
Maintenance projects	→	Capital Plan
Phone, Cable, Internet	→	Technology, replacement equipment
Mortgage or rent	→	Debt service
Loans	→	Bonds

REVALUATION

The town of Essex has completed its statutorily required revaluation for 2013. In this recovering real estate market some neighborhoods within the town saw their values increase or remain the same, however, overall the town will see a decrease in the total grand list for 2013. The total grand list for 2013 of \$1,033,200,611 is \$86,418,685 less than the 2012 grand list which represents a 7.72% reduction.

What impact will this have on the mill rate? With this grand list reduction, the town would need to increase the mill rate in order to raise the needed revenue to fund the budget even if there were no change in the level of spending. For example, if the mill rate for the current fiscal year 2013/2014 were recalculated using the 2013 grand list total, the mill rate would need to increase from 18.99 to 20.58 to collect the same amount of property tax. **It is important to understand that if your assessment is lower, it does not necessarily mean that your property taxes will decrease or remain the same.** Property owners should not take their new assessments and apply the current mill rate to figure out their new taxes because that calculation would produce an incorrect amount.

It is very important that each homeowner review the data for their particular property, checking for accuracy of information, i.e. room count, number of baths, all finished living area is accounted for, etc. The information is available for review at gis.vgsi.com/EssexCT.

BUDGET APPROVAL HISTORY

Town Budgets are approved at the Annual Budget Town Meeting in May or sent to referendum. If a budget fails at a Town Meeting or referendum, it is sent back to the Board of Finance for reconsideration. This process is repeated until the budget is approved by voters at referendum.

Fiscal Year	Town Meeting/Referendum	Total Voters	Margin
2008-09	Town Meeting	~100	n/a
2009-10	Referendum	578	206
2010-11	Town Meeting	~40	n/a
2011-12	Town Meeting (paper ballot)	195	-33
	Referendum	970	94
2012-13	Town Meeting	~170	n/a
2013-14	Town Meeting	~75	n/a
~ - approximately		n/a – not available	

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BUDGET CALENDAR IMPORTANT DATES 2014



- February 8... **MEETING*** 1:00pm @ Town Hall
Board of Selectmen budget workshop
- February 19... **MEETING*** @ Town Hall
Board of Selectmen budget workshop
immediately following 5:00 pm Regular
Meeting
- March 5 **MEETING*** 5:00pm @ Town Hall
Board of Selectmen budget workshop
- March 20 **MEETING*** 7:00pm @ Town Hall
Board of Finance budget workshop with the
Essex Elementary Board of Education
- March 27 **MEETING*** 7:00pm @ Town Hall
Board of Finance budget workshop with the
Board of Selectmen
- April 7 **MEETING*** 7:00pm @ JWMS Media Center
Region 4 Board of Education public hearing
- April 24 **MEETING*** 7:30pm @ Town Hall Auditorium
Board of Finance public hearing
- May 6 **REFERENDUM** noon – 8:00pm @ Town Hall
Auditorium-Region 4 Board of Education
budget vote
- May 12 **TOWN MEETING** 7:30pm @ Town Hall
Budget vote or Schedule referendum
- TBD **SPECIAL MEETING** - Board of Finance sets mill
rate

**Meeting agenda to include public comments.*

Dates, times & locations for Supervision
District, Region 4 and Essex Elementary
School budget workshops are included on the
Region 4 website at www.reg4.k12.ct.us

IMPORTANT TERMS

APPROPRIATION: An authorization made by the Board of Finance and approved by the Town Meeting or referendum that permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.

BOND: A written promise to pay a specified sum of money (called the face value or principal amount), at a specified date or dates in the future, i.e. maturity date(s), together with periodic interest at a specified rate.

CAPITAL ASSET: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

CONTINGENCY: A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for. When required, funding transfers to departmental function areas are approved by the Board of Finance and, if required, Town Meeting.

DEBT SERVICE: Payment of interest and repayment of principal on debt that the Town has issued, typically for large capital projects.

FTE: Full-time equivalent; the equivalent of one full-time employee.

FUND BALANCE: The difference between assets and liabilities in a governmental fund at a particular point in time (such as the end of the fiscal year). A negative fund balance is sometimes referred to as a fund deficit.

GENERAL FUND: The fund that accounts for most municipal operations, including education, police, public works, human services, general government, recreation, library services, and most debt service.

GRAND LIST: The property tax base as determined by a valuation of real estate and certain personal property by the Town Assessor for the purpose of levying property taxes.

MILL RATE: The property tax rate that is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of property valuation.

RESERVE: An account which records a portion of fund balance which is legally segregated for some future use and which is, therefore, not available for further appropriation or expenditure.

REVALUATION: To establish the present true and actual value of all real property in a town as of a specific assessment date.

REVENUE: Additions to assets, which do not increase any liability, do not represent the recovery of expenditures, and do not represent contributions of fund capital.

SURPLUS: The amount by which revenues exceed expenditures in a given year.